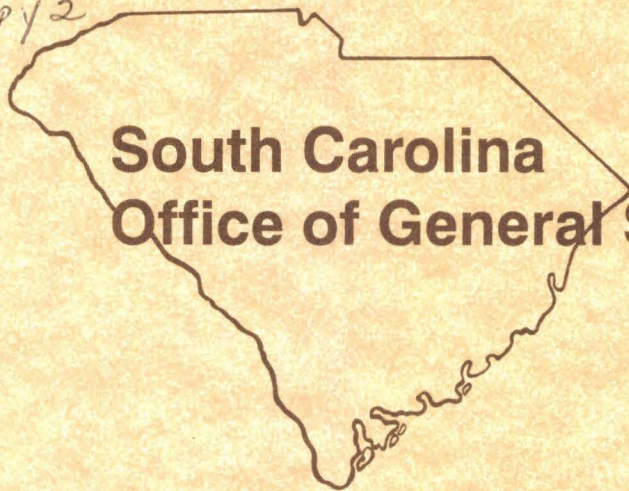


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**South Carolina
Office of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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**SOUTH CAROLINA
FORESTRY COMMISSION**

AGENCY

OCTOBER 1, 1996 – JUNE 30, 1999

DATE

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State Budget and Control Board
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DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
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R. VOIGHT SHEALY
ASSISTANT DIRECTOR

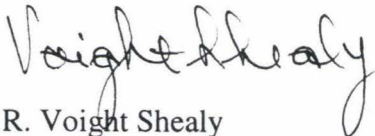
January 4, 2000

Mr. Robert W. McClam, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Robbie:

I have attached the South Carolina Forestry Commission's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Department a three year certification as noted in the audit report.

Sincerely,



R. Voight Shealy
Materials Management Officer

/jl

**SOUTH CAROLINA FORESTRY COMMISSION
PROCUREMENT AUDIT REPORT**

OCTOBER 1, 1996 – JUNE 30, 1999

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R. VOIGHT SHEALY
ASSISTANT DIRECTOR
November 19, 1999

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Forestry Commission for the period October 1, 1996 through September 30, 1999. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations and the Commission's internal procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina Forestry Commission is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess

the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the South Carolina Forestry Commission in compliance with Consolidated Procurement Code and ensuing regulations.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Forestry Commission and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 1997 through June 30, 1999 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sale procurements for the period October 1, 1996 through June 30, 1999
- (2) Procurement transactions from the period July 1, 1997 through June 30, 1999 as follows:
 - a) Seventy-five payments each exceeding \$1,500
 - b) A block sample of four hundred sequential payment vouchers reviewed for order splitting and favored vendors
- (3) One professional service contract, two small construction contracts and one major construction contract for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plans and reports for the audit period
- (5) Information technology plans for the audit period
- (6) Internal procurement procedures manual review
- (7) Surplus property procedures
- (8) Real property lease approvals
- (9) Procurement file documentation and evidence of competition

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of the South Carolina Forestry Commission, hereinafter referred to as the Commission. Our on-site review was conducted August 3, 1999 through August 18, 1999, and was made under authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

On February 11, 1997, the Budget and Control Board granted the Commission the following certifications:

<u>CATEGORIES</u>	<u>LIMITS</u>
Goods and Services	\$25,000 per commitment
Information Technology	\$25,000 per commitment
Consultant Services	\$25,000 per commitment

Our audit was performed primarily to determine if recertification is warranted. Additionally, the Commission requested the following increased certification limits.

<u>CATEGORIES</u>	<u>LIMITS</u>
Goods and Services	\$50,000 per commitment
Information Technology	\$25,000 per commitment
Consultant Services	\$25,000 per commitment

Since our previous audit in 1996, the Commission has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following points, which should be addressed by management.

Inadequate Justifications for Emergencies

The justifications to support the following emergency procurements did not adequately explain the basis of the emergencies.

	<u>Document</u>	<u>Amount</u>	<u>Description</u>
1.	Voucher 10371	\$8,200	Asbestos removal
2.	FPO 926155	2,097	Truck repair
3.	Req 950217	1,878	Repairs to county office
4.	Req 950224	2,318	Repairs to county office
5.	Req 80721	3,236	Trailer repair
6.	FPO 926377	1,894	Tires and tire repairs

Section 11-35-1570 of the Code requires a written determination for the basis of an emergency. Regulation 19-445.2110(D) states, "Any governmental body may make emergency procurements when an emergency condition arises and the need cannot be met through normal procurement methods."

The Commission obtained two written quotes for item 1. The solicitation of an additional quote would have met the competitive requirements of Section 11-35-1550(2)(c). The emergency procurement method could have been avoided for items 2 through 6 by soliciting three verbal quotes as required in Section 11-35-1550(2)(b) for procurements from \$1,500.01 to \$5,000.

We recommend the Commission adequately justify each emergency procurement. We also recommend that the Commission solicit as much competition as practical, as required in Section 11-35-1570, for emergency procurements. If the competitive requirements of the Code can be met, the emergency procurement method should not be utilized.

Emergency Reporting

The Commission reported emergency procurements although the competitive requirements of Code were met. The two procurements were FPO 826278 for \$2,107 to install a septic tank and FPO 9056 for \$2,935 to repair a well. Since the competitive requirements were met, the emergency procurement justifications and reporting were not necessary.

We recommend the Commission not declare and report procurements as emergencies when the competitive requirements of the Code are satisfied. We also recommend that an amended report be submitted to remove the two emergency procurements noted above.

No Evidence of Competition

The following two procurements were made without any solicitations of competition, sole source or emergency determinations.

<u>PO/Req</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
FPO 912-0019	8/14/98	\$2,100	Labor and parts to repair machine
Req 49923	2/8/99	\$2,705	Repair truck

Section 11-35-1510 of the Code lists the methods of source selection. Section 11-35-1550(2)(b) defines the competition requirements for purchases from \$1,500.01 to \$5,000.

We recommend the Commission comply with the competitive requirements of the Code using the applicable method as noted in Section 11-35-1510.

Incomplete Documentation

Requisition 95540.05 was issued on July 1, 1998 for \$3,774 to procure 4,608 square feet of formulator 400 boards. The file contained a list of the four bidders that could provide the boards but did not list the quotes or the delivery schedules of the bidders. A note in the file stated that the award was made to the only bidder that could supply the boards within a couple of weeks. Section 11-35-1550(2)(b) of the Code states, "Solicitation of verbal or written quotes from a minimum of three qualified sources of supply shall be made and documentation of the quotes attached to the purchase requisition. The award shall be made to the lowest responsive and responsible sources." Without documentation to support the quotes and

delivery schedules, we could not determine that the award was made to the lowest responsive and responsible bidder as defined in Section 11-35-1410 of the Code.

We recommend adequate documentation be prepared to support procurement transactions.

Blanket Purchase Agreement

Purchase order 900010 was issued on July 1, 1998 as a blanket purchase agreement for miscellaneous photo supplies for the period July 1, 1998 to June 30, 1999. The purchase order had a limit of \$1,000 for a single purchase. On October 29, 1998, the Commission made the following purchase of \$2,498.

<u>Invoice</u>	<u>Invoice Date</u>	<u>Amount</u>
57964	10/29/98	\$ 893
57966	10/29/98	893
57967	10/29/98	<u>712</u>
Total		\$ <u>2,498</u>

Since the total purchase exceeded the \$1,000 limit per purchase, the Commission should have solicited competition, per Section 11-35-1550(2)(b) of the Code, rather than using the blanket purchase agreement.

We recommend the Commission not exceed the defined limit per purchase for a blanket purchase agreement.


CERTIFICATION RECOMMENDATIONS


As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the South Carolina Forestry Commission in compliance with the Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the Commission be recertified to make direct agency procurements for three years up to the limits as follows.

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services	*\$50,000 per commitment
Information Technology	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment

*Total potential purchase commitment whether single year or multi-term contracts are used.


Melissa Rae Thurstin
Senior Auditor


Larry G. Sorrell, Manager
Audit and Certification



SOUTH CAROLINA FORESTRY COMMISSION

J. Hugh Ryan, State Forester

December 21, 1999

Mr. R. Voight Shealy, Materials Management Officer
Materials Management Office
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Mr. Shealy,

We have reviewed the findings of the procurement audit performed by members of your staff. We understand and concur with the recommendations made in the report and will make all corrections suggested. Additionally, we will make the changes to our procurement manual to reflect the changes to the State Procurement Code and the certification level of the South Carolina Forestry Commission.

We appreciate the professional and helpful manner in which the audit was performed.

Sincerely,

Mr. J. Hugh Ryan, State Forester
State Forester
South Carolina Forestry Commission

wk/wk

cc: Larry G. Sorrell, Manger

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State Budget and Control Board
OFFICE OF GENERAL SERVICES

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R. VOIGHT SHEALY
ASSISTANT DIRECTOR

January 4, 2000

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from the South Carolina Forestry Commission to our audit report for the period of October 1, 1996 – June 30, 1999. Also we have followed the Commission's corrective action during and subsequent to our fieldwork. We are satisfied that the Commission has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Forestry Commission the certification limits noted in our report for a period of three years.

Sincerely,



Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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